The Great American Yard Sale.

Beer to buildings, airports to biotech: foreigners are buying U.S. assets on the cheap. It matters more than you think.

BY JEFF ISRAELY/PARIS AND WILLIAM BOSTON/BERLIN
WHEN BELGIAN-BASED, Brazilian-controlled InBev launched a hostile offer for American beer king Anheuser-Busch last month, xenophobia quickly foamed to the top. Beer drinkers in St. Louis, Mo.—A-B's home—vowed to swear off Bud if those foreigners bought "our" beer.

They'll get over it. A-B's shareholders sure did, considering the $52 billion price tag, which at $70 a share was a 27% premium for a stock that had gone flat. The ruling Busch family ultimately faced up to the fact that the U.S. is for sale, and foreigners are buying. It's everything from the St.-Tropez crowd buying up condos in Palm Beach, Fla., to Asian and Middle Eastern governments sinking billions into U.S. banks to Europeans taking over U.S. pharmaceutical and infrastructure companies. Even tourists are busy using their euros and pounds to snap up iPhones, jeans, shoes and everything else they can stuff into the empty suitcases they carry along for just that purpose, damn them.

The weak dollar and our weakening economy are underwriting the great American yard sale. Investors from Dubai are behind the June purchase of the General Motors Building in New York City for $2.8 billion. The Abu Dhabi Investment Council's sovereign wealth fund bought a 90% stake in the landmark Chrysler Building. General Electric's plastics division is gone, and its famed appliance unit could soon be in the hands of China's Haier or South Korea's LG. Chrysler is hoping to hook up with India's Tata Motors or Italy's Fiat. Switzerland's Roche Holding is offering about $44 billion to acquire the 44% of the biotechnology outfit Genentech that it doesn't own.

The surge of foreign buying spans the economy. Since 2003, foreign-led mergers and acquisitions have increased more than sixfold. Last year there were over 2,000 foreign-led acquisitions of U.S. companies in deals worth some $405.4 billion, twice the value of deals in 2006 and up from $66.8 billion in 2003, according to Thomson Reuters, the financial information company. Unlike the 1980s panic about the Japanese buying up American landmarks like Rockefeller Center, the response of the financial establishment has been to welcome the latest rush of foreign investment. "The U.S. needs these flows, particularly now," says Bank of America chief market strategist Josef Quinlan. "It helps create income and jobs for Americans."

That would include Anne Marie Moriarty, a vice president at Corcoran Real Estate Group, who shuttles between New York City and European capitals, tempting foreign buyers with choice American properties. Moriarty is brokering the $16 million sale of an apartment in Manhattan's Chelsea neighborhood to an Italian buyer, just one of the latest in her run of foreign deals. She says that since March 2007 her residential sales to foreigners have doubled, which is part of the reason that New York's real estate prices have held up in an otherwise tanking market. "It's bucking the trend," says Moriarty. Foreigners "see it as a long-term investment. Part of [real estate] for them is owning a piece of New York."

Foreign companies were also the buyers of the top U.S. commercial real estate deals in 2007, according to Real Estate Alert newsletter. Rome-based investor Valter Mainetti has been building his Michelangelo Fund around trophy properties, ones that have historical or architectural value beyond their location and square footage. In 2006 he acquired a minority share in New York City's Flatiron Building, a property that today is valued at $180 million. In June he raised its holdings to a 53% share of the famous building. "The Flatiron is expensive, but with the [cheap] dollar, it made sense to increase our share," says Mainetti. "The stability of the New York real estate market is unique. This current crisis will pass, and the dollar will re-establish itself. We are confident."

Foreigners spent $53.2 billion on U.S. commercial real estate in 2007, double the previous year's total, according to Real Capital Analytics, a research group based in New York City that tracks property investment. Dan Fasulo, head of research at Real Capital Analytics, says foreign investment in U.S. property is a relatively recent phenomenon. He compared the current trend to the globalization of stock-market portfolios in the 1980s. "This isn't just about the dollar. The strongest driver is that investors are looking for geographical diversification. The same situation played out on Wall Street about 10 to 15 years ago," he says.

**Buy American (Companies)**

OVER THE PAST FIVE YEARS, FOREIGN TAKEOVERS OF U.S. COMPANIES HAVE STEADILY RISEN. AMONG THE MORE NOTABLE: SWISS PHARMACEUTICAL MAKER NOVARTIS' $39 BILLION STAGGERED BUYOUT OF ALCON, THE WORLD LEADER IN EYE CARE; BRITISH ENERGY DISTRIBUTOR NATIONAL GRID'S TAKEOVER OF UTILITY KEYSPAN CORP. FOR $11.8 BILLION; SAUDI ARABIAN PETROCHEMICAL COMPANY SABIC'S ACQUISITION OF GE'S PLASTICS DIVISION FOR $11.6 BILLION; AND ITALIAN AIRCRAFT COMPANY FINMECCANICA'S PENDING TAKEOVER OF THE U.S. MILITARY CONTRACTOR DRST TECHNOLOGIES IN A $5.2 BILLION DEAL. SOME 55% OF FOREIGN DIRECT INVESTMENT IN THE U.S. CAME FROM THE OLD COUNTRY LAST YEAR, WITH EXTRA IMPETUS NOW COMING FROM ITS CURRENCY ADVAN-